

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA

INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

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PLAINS AREA MENTAL HEALTH, INC.
BOARD OF DIRECTORS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Patrick N. Murphy	President	2013
Jeffrey Hayes	Vice-President	2014
Paul Jacobson	Treasurer	2012
Jeff Waldner	Secretary	
(Resigned April 24, 2012		2012
Dennis Bennett	Member	2013
Maggie Martinez	Member	2013
Doug Schmidt	Member	2014
Carol Wadsley	Member	2014
Patrick Schmitz	Executive Director	Indefinite

COUNTY BOARD LIAISONS:

Terry Graybill	Cherokee County Supervisor
Jim Henrich	Plymouth County Supervisor
Allen Hilker	Ida County Supervisor
Rhonda Ringgenberg	Buena Vista County Supervisor

BURKHARDT & DAWSON

Certified Public Accountants

DONNA R. BURKHARDT, CPA
LAURA M. DAWSON, CPA

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Plains Area Mental Health, Inc.
Le Mars, Iowa

We have audited the accompanying statement of financial position, of Plains Area Mental Health, Inc. (a nonprofit organization) as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2011 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year, on which an unqualified opinion dated August 17, 2011, was expressed.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Plains Area Mental Health, Inc. at June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2012 on our consideration of Plains Area Mental Health, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The information on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BURKHARDT & DAWSON, CPA's


Certified Public Accountants

August 29, 2012

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

	<u>2012</u>			<u>2011</u>
	<u>UNRE- STRICTED FUND</u>	<u>FURNITURE, FIXTURES AND EQUIPMENT FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
ASSETS				
CURRENT ASSETS:				
Cash on Hand	\$ 2,336	\$ 0	\$ 2,336	\$ 1,830
Cash in Savings and Money Market Funds	30,587	0	30,587	262,950
Accounts Receivable, Net of Allowance for Doubtful Accounts and Rate Adjustments of \$208,800 and \$142,100 at June 30, 2011 and 2010, Respectively	282,705	0	282,705	182,920
Other Receivables	37,010	0	37,010	21,317
Grant Receivables	8,084	0	8,084	22,553
Marketable Securities	<u>38,993</u>	<u>0</u>	<u>38,993</u>	<u>39,633</u>
TOTAL CURRENT ASSETS	<u>\$399,715</u>	<u>\$ 0</u>	<u>\$399,715</u>	<u>\$531,203</u>
FURNITURE, FIXTURES AND EQUIPMENT:				
Leasehold Improvements	\$ 0	\$ 44,008	\$ 44,008	\$ 44,008
Office Furniture and Equipment	<u>0</u>	<u>533,207</u>	<u>533,207</u>	<u>533,691</u>
TOTAL	\$ 0	\$577,215	\$577,215	\$577,699
LESS - Accumulated Depreciation	<u>0</u>	<u>245,171</u>	<u>245,171</u>	<u>221,807</u>
NET FURNITURE, FIXTURES AND EQUIPMENT	<u>\$ 0</u>	<u>\$332,044</u>	<u>\$332,044</u>	<u>\$355,892</u>
OTHER ASSETS:				
Investments	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,000</u>
TOTAL ASSETS	<u>\$399,715</u>	<u>\$332,044</u>	<u>\$731,759</u>	<u>\$898,095</u>

See accompanying notes to financial statements

	2012			2011
	UNRE- STRICTED FUND	FURNITURE, FIXTURES AND EQUIPMENT FUND	TOTAL	TOTAL
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable	\$ 47,631	\$ 0	\$ 47,631	\$ 34,005
Deferred Grant Revenue	61,165	0	61,165	135,760
Payroll Taxes Payable	21,696	0	21,696	12,371
Accrued Salaries	64,786	0	64,786	93,899
Accrued Pension				
Payable	32,297	0	32,297	7,614
Customer Deposits	13,970	0	13,970	0
Current Maturities of				
Long Term Debt	90,500	0	90,500	0
Insurance Payable	126	0	126	967
TOTAL CURRENT LIABILITIES	<u>\$332,171</u>	<u>\$ 0</u>	<u>\$332,171</u>	<u>\$284,616</u>
LONG TERM DEBT:				
Note Payable	\$ 90,500	\$ 0	\$ 90,500	\$ 0
LESS - Current				
Maturities	<u>(90,500)</u>	<u>0</u>	<u>(90,500)</u>	<u>0</u>
TOTAL LONG TERM DEBT	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL LIABILITIES	<u>\$332,171</u>	<u>\$ 0</u>	<u>\$332,171</u>	<u>\$284,616</u>
NET ASSETS:				
Unrestricted:				
Undesignated	<u>\$ 67,544</u>	<u>\$332,044</u>	<u>\$399,588</u>	<u>\$613,479</u>
TOTAL NET ASSETS	<u>\$ 67,544</u>	<u>\$332,044</u>	<u>\$399,588</u>	<u>\$613,479</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$399,715</u>	<u>\$332,044</u>	<u>\$731,759</u>	<u>\$898,095</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

	<u>2012</u>			<u>2011</u>
	<u>UNRE- STRICTED FUND</u>	<u>FURNITURE, FIXTURES AND EQUIPMENT FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUES:				
Public Support:				
Contributions	\$ 325	\$ 0	\$ 325	\$ 260
Fees and Grants				
From Governmental Agencies	519,610	0	519,610	518,610
Outpatient and Community Services	1,555,633	0	1,555,633	1,468,601
Investment/Dividend Income	28,857	2	28,859	5,242
Recovery of Bad Debts	11,910	0	11,910	18,429
Miscellaneous Income	42,844	0	42,844	57,325
(Loss) on Disposal of Equipment	0	(475)	(475)	0
Unrealized Gain (Loss) on Investments	(639)	0	(639)	3,981
Realized (Loss) on Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>(940)</u>
 TOTAL PUBLIC SUPPORT AND REVENUES	 <u>\$2,158,540</u>	 <u>\$ (473)</u>	 <u>\$2,158,067</u>	 <u>\$2,071,508</u>
EXPENSES:				
Program Services:				
Outpatient and Community Support Services	\$1,413,790	\$ 0	\$1,413,790	\$1,230,918
Supporting Services:				
Management and General	<u>914,221</u>	<u>43,947</u>	<u>958,168</u>	<u>839,429</u>
 TOTAL EXPENSES	 <u>\$2,328,011</u>	 <u>\$ 43,947</u>	 <u>\$2,371,958</u>	 <u>\$2,070,347</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

	<u>2012</u>			<u>2011</u>
	<u>UNRE- STRICTED FUND</u>	<u>FURNITURE, FIXTURES AND EQUIPMENT FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
CHANGES IN NET ASSETS FROM OPERATIONS	\$ (169,471)	\$ (44,420)	\$ (213,891)	\$ 1,161
OTHER CHANGES:				
Equipment				
Acquisitions (Net				
of Disposals)				
From Unrestricted				
Fund	(20,572)	20,572	0	0
NET ASSETS AT BEGINNING OF YEAR	<u>257,587</u>	<u>355,892</u>	<u>613,479</u>	<u>612,318</u>
NET ASSETS AT END OF YEAR	<u>\$ 67,544</u>	<u>\$332,044</u>	<u>\$ 399,588</u>	<u>\$ 613,479</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

	<u>2012</u>			<u>2011</u>
	<u>PROGRAM SERVICES OUTPATIENT AND COMMUNITY SUPPORT SERVICES</u>	<u>SUPPORTING SERVICES MANAGE- MENT AND GENERAL</u>	<u>TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES</u>	<u>TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES</u>
Salaries and Wages	\$ 722,894	\$404,813	\$1,127,707	\$ 970,950
Employee Benefits and Payroll Taxes	233,464	125,712	359,176	297,924
Employee Travel and Transportation	<u>26,082</u>	<u>19,561</u>	<u>45,643</u>	<u>35,639</u>
TOTAL SALARIES AND RELATED EXPENSES	\$ 982,440	\$550,086	\$1,532,526	\$1,304,513
Contracted Services	303,523	32,326	335,849	317,394
Professional Development	9,409	1,438	10,847	5,263
Supplies, Books and Literature	37,244	1,228	38,472	31,242
Telephone	27,206	787	27,993	24,711
Postage	6,591	0	6,591	8,649
Repairs and Maintenance	0	34,199	34,199	32,077
Rents	0	138,477	138,477	132,167
Conferences, Conventions and Meetings	1,213	6,241	7,454	11,219
Membership Dues and Subscriptions	1,225	5,690	6,915	6,464
Insurance	19,548	1,029	20,577	25,682
Miscellaneous	3,439	612	4,051	5,900
Advertising and Recruitment	12,607	522	13,129	24,230
Professional Services	9,345	52,957	62,302	46,762
Bad Debts	0	71,911	71,911	34,244
Utilities	0	15,817	15,817	18,174
Interest	<u>0</u>	<u>901</u>	<u>901</u>	<u>0</u>
TOTAL EXPENSES BEFORE DEPRECIATION	\$1,413,790	\$914,221	\$2,328,011	\$2,028,691
Depreciation	<u>0</u>	<u>43,947</u>	<u>43,947</u>	<u>41,656</u>
TOTAL EXPENSES	<u>\$1,413,790</u>	<u>\$958,168</u>	<u>\$2,371,958</u>	<u>\$2,070,347</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (213,891)	\$ 1,161
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Loss on Disposal of Equipment	475	0
Depreciation	43,947	41,653
Net Unrealized Loss (Gain) on Investments	640	(3,981)
Realized Loss on Investment	0	940
(Increase) Decrease in:		
Accounts Receivable	(99,785)	(36,896)
Other Receivables	(15,692)	10,736
Grant Receivables	14,469	(1,265)
Prepaid Expenses	0	878
Increase (Decrease) in:		
Accounts Payable	13,626	(3,947)
Deferred Grant Revenue	(74,595)	(20,074)
Payroll Taxes Payable	9,325	577
Insurance Payable	(841)	967
Accrued Salaries	(29,113)	10,513
Accrued Pension Payable	24,683	5,325
Customer Deposits	13,970	0
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (312,782)</u>	<u>\$ 6,587</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	\$ (20,575)	\$ (258,929)
Purchase of Marketable Securities	0	(12,580)
Proceeds of Investments	11,000	0
NET CASH (USED) BY INVESTING ACTIVITIES	<u>\$ (9,575)</u>	<u>\$ (271,509)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds From Long Term Debt	\$ 240,500	\$ 0
Principal Payments on Long Term Debt	(150,000)	0
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>\$ 90,500</u>	<u>\$ 0</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (231,857)	\$ (264,922)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>264,780</u>	<u>529,702</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 32,923</u>	<u>\$ 264,780</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

	<u>2012</u>	<u>2011</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:		
Cash on Hand	\$ 2,336	\$ 1,830
Cash in Savings and Money Market Funds	<u>30,587</u>	<u>262,950</u>
	<u>\$ 32,923</u>	<u>\$ 264,780</u>
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	<u>\$ 901</u>	<u>\$ 0</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY - The Center is a nonprofit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Cherokee, Ida, Plymouth, Sioux and Buena Vista Counties.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

FUND ACCOUNTING - The accounts of the Center are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are grouped as follows in the financial statements:

UNRESTRICTED FUND - This fund is utilized to account for the daily transactions of the Center that are not properly recorded in another fund.

The Center's Board may designate portions of the current unrestricted fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Center maintains separate accounts for such designations within the current unrestricted fund and segregates the designated and undesignated portions of the fund within the net assets section of the balance sheet.

FURNITURE, FIXTURES AND EQUIPMENT FUND - This fund is established to account for all furniture and equipment of the Center and provide funds for replacements.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

FURNITURE, FIXTURES AND EQUIPMENT - Furniture and equipment is stated at cost. Expenditures for additions and betterments are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. The cost of assets retired or sold and the related accumulated depreciation are eliminated from the accounts in the year of disposal, with the resulting gain or loss credited or charged to operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. No interest costs were capitalized since there were no qualifying assets.

BASIS OF ACCOUNTING - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of fixed assets providing future benefits are directly charged against the unrestricted fund balance and capitalized in the furniture, fixtures and equipment fund.

BASIS OF PRESENTATION - Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

CASH AND CASH EQUIVALENTS - The Center considers cash on hand and demand deposits in banks as cash, and certificates of deposit with original maturities of three months or less as cash equivalents. There were no cash equivalents at June 30, 2012 and 2011.

RECEIVABLES - Receivables are shown at the amount expected to be collected after determining the allowances for doubtful accounts based on an aging of all the individual patient balances.

MARKETABLE EQUITY SECURITIES - The Center's marketable securities are classified as available for sale and consist of equity securities that have a readily determinable fair market value. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such determinations at each balance sheet date.

Realized gains and losses on all marketable securities are determined by specific identification and are charged or credited to current earnings.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

DONATED MATERIALS - Donated materials are recognized as contributions and valued at fair market value at receipt.

COMPENSATED ABSENCES - Center employees accumulate a limited amount of earned but unused PTO (paid time off) benefits payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2012 and 2011.

PROMISES TO GIVE - Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional.

DATE OF MANAGEMENT'S REVIEW - Management has evaluated subsequent events through August 29, 2012, the date which the financial statements were issued.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

NET PATIENT SERVICE REVENUE - Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

TOTAL COLUMN - The total column on the statement of financial position and the statement of activities is presented to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - INVESTMENTS:

Cost and fair market value of marketable securities available for sale at June 30, 2012 and 2011 are as follows:

<u>YEAR</u>	<u>COST</u>	<u>UNREALIZED LOSSES</u>	<u>FAIR VALUE</u>
2012	\$ 40,262	\$ 1,269	\$ 38,993
2011	\$ 40,262	\$ 629	\$ 39,633

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS:

OPERATING LEASES:

The Center rents space for the Le Mars, Cherokee and Storm Lake offices under noncancellable operating leases. The Center rents two copiers for the Le Mars and Cherokee offices under a noncancellable operating lease, which expires May 10, 2015. The Center rents a copier for the Storm Lake office under a noncancellable operating lease, which expires December 15, 2013. The operating lease expense under noncancellable operating leases was \$135,559 and \$133,667 for the years ended June 30, 2012 and 2011, respectively. The following schedule shows the minimum future rental payments due under the leases.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS - CONTINUED:

<u>YEAR ENDED</u>	<u>AMOUNT</u>
2013	\$135,559
2014	65,454
2015	19,020
2016	2,688
Thereafter	<u>2,806</u>
TOTAL	<u>\$225,527</u>

The Cherokee and LeMars offices sublease a portion of their office space. The Storm Lake office subleases a portion of their office space under a noncancellable operating lease. Total rent earned for the years ended June 30, 2012 and 2011 was \$23,860 and \$29,910, respectively.

The following schedule shows the minimum future rental revenue due under noncancellable subleases.

<u>YEAR ENDED</u>	<u>AMOUNT</u>
2013	\$ 12,150
2014	12,150
2015	4,050
Thereafter	<u>0</u>
TOTAL	<u>\$ 28,350</u>

NOTE 4 - PENSION PLAN:

Effective June 1, 1996, the Center adopted a profit sharing pension plan covering substantially all of its full-time employees. The Center contributes 5% of covered employees salaries. Pension expense amounted to \$41,369 and \$33,672 for 2012 and 2011, respectively. Previously the Center had a defined contribution pension plan. Plan assets remain in this plan but no new contributions will be made.

NOTE 5 - OTHER ASSETS:

The Center joined with other similar agencies to form Tri-State Behavioral Health Association, Inc. This was a nonprofit group formed to benefit its members. The original investment was \$11,000 and it was carried at cost. The investment was liquidated in the current fiscal year with a distribution of \$36,855. The Center also received another distribution of \$11,574 in August 2012. These distributions may continue as Tri-State collects receivables.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 - RISK MANAGEMENT:

Plains Area Mental Health, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. These risks are covered by commercial insurance purchased from independent third parties. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 7 - UNEARNED INCOME:

Plains Area Mental Health, Inc. received a grant for telehealth services and equipment. The Center has reported unearned income and will recognize the revenue as they incur the corresponding expenses. The original grant included funds for equipment of \$53,690 and an award for providing services of \$158,700. The grant for equipment was recognized when the equipment was purchased. Cumulative service revenue recognized through June 30, 2012 and 2011 is \$97,535 and \$22,940, respectively. Revenue recognized for the years ending June 30, 2012 and 2011 was \$74,595 and \$20,074, respectively.

NOTE 8 - LONG TERM DEBT:

Plain Area Mental Health, Inc. has a line-of-credit of \$150,000, with a balance of \$90,500 at June 30, 2012. The interest rate is 5.5% per annum. Payments of interest only are due monthly. The original date of the loan is January 11, 2012, with a maturity date of February 1, 2013. The line-of-credit is secured by a security agreement dated January 1, 2012 which includes substantially all of the assets of the Center.

NOTE 9 - SUBSEQUENT EVENT:

In July of 2012, Plains Area Mental Health, Inc. acquired an existing office in Carroll, Iowa.

SUPPLEMENTAL INFORMATION

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULE OF FEES AND GRANTS FROM GOVERNMENTAL AGENCIES
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR 2011

	<u>2012</u>	<u>2011</u>
COUNTY ALLOTMENTS:		
Plymouth County, Iowa	\$154,080	\$156,074
Cherokee County, Iowa	81,204	73,840
Ida County, Iowa	44,595	49,412
Buena Vista County, Iowa	102,393	111,875
Other Iowa Counties	<u>1,536</u>	<u>4,040</u>
	<u>\$383,808</u>	<u>\$395,241</u>
ADM GRANT:		
Department of MH/MR/DD	<u>\$ 50,273</u>	<u>\$ 77,250</u>
ELDERLY PEER GRANT:		
Siouxland Aging Services	<u>\$ 474</u>	<u>\$ 3,236</u>
HEAD START GRANT:		
Mid-Sioux Opportunity, Inc. Head Start Program	<u>\$ 9,000</u>	<u>\$ 9,000</u>
JAIL SERVICES	<u>\$ 1,460</u>	<u>\$ 1,200</u>
CHEROKEE FOUNDATION GRANT	<u>\$ 0</u>	<u>\$ 3,091</u>
DECAT UPPER DES MOINES GRANT	<u>\$ 0</u>	<u>\$ 1,693</u>
TELEHEALTH GRANT	<u>\$ 74,595</u>	<u>\$ 20,074</u>
PLYMOUTH COUNTY LOST FUNDS	<u>\$ 0</u>	<u>\$ 7,825</u>
TOTAL FEES AND GRANTS FROM GOVERNMENTAL AGENCIES	<u>\$519,610</u>	<u>\$518,610</u>

See accompanying independent auditors' report

BURKHARDT & DAWSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Plains Area Mental Health, Inc.

We have audited the financial statements of Plains Area Mental Health, Inc., LeMars, Iowa, as of and for the year ended June 30, 2012, and have issued our report thereon dated August 29, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Plains Area Mental Health, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Plains Area Mental Health, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of the Center's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item A to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items B and C to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Plains Area Mental Health, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Plains Area Mental Health Inc.'s responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Center's responses, we did not audit Plains Area Mental Health, Inc.'s responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of Plains Area Mental Health, Inc. and other parties to whom the Center may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Plains Area Mental Health, Inc. during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURKHARDT & DAWSON, CPA's

Burkhardt & Dawson, CPA's
Certified Public Accountants

August 29, 2012

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Center's financial statements. We noted one individual has custody of receipts and performs all recordkeeping and reconciling functions for the office.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the Center should review the operating procedures to obtain the maximum internal control possible under the circumstances.

Response - The Center segregates duties to the best of its ability with the limited number of staff employed.

Conclusion - Response accepted.

- (B) Bank Statements - Bank statements do not coincide with the Center's fiscal year end.

Recommendation - Bank statements should cut off on the same month and date as the Center's fiscal year end.

Response - United Bank of Iowa will be contracted. A request will be made to cut off bank statement at month end.

Conclusion - Response accepted.

- (C) Minutes - Documentation of a closed session was not recorded in the minutes.

Recommendation - Document conclusions of a closed session and place in a secure file.

Response - A separate document was used for the closed session minutes, as these are not public documents. These minutes were reviewed by Board Members, approved, and signed by Board President.

Conclusion - Response accepted.